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Message Text

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15
ACTION EB-07

INFO OCT-01 EA-06 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

/097 W
---------- 066321
R 041000Z AUG 75
FM AMEMBASSY MANILA
TO SECSTATE WASHDC 6129
INFO USDEL MTN GENEVA

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E.O. 11652: N/A
TAGS: ETRD, RP
SUBJECT: EXPORT RESTRICTIONS IMPOSED BY FOREIGN GOVERNMENTS

REF: (A) STATE 146681; (B) MANILA 1679, FEB. 13, 1974;
(C) MANILA 1633, FEB. 13, 1974; (D) STATE 22871, FEB.
5, 1974

1. WITH DECLINE WORLDWIDE IN COMMODITY PRICES, RESTRICTIONS ON EXPORTS ARE EITHER UNCHANGED OR DECREASED FROM THOSE CITED REFTELS B AND C.

2. ALL PHILIPPING SUGAR EXPORTS CONTINUE TO REMAIN IN HANDS OF PHILIPPINE EXCHANGE, TRADING SUBSIDIARY OG GOP'S PHILIPPINE NATIONAL BANK. ANTICIPATING STILL HIGHER PRICES, PHILIPPINE EXCHANGE FAILED TO TAKE ADVANTAGE OF PEAK PRICES DURING RECENT BOOM, AND PHILIPPINE CURRENTLY HAS LARGE STOCKS OF EXPORTABLE SUGAR. WITH NEW MILLING SEASON RAPIDLY COMING ON, GOVERNMENT HAS ANNOUNCED A CRASH PROGRAM TO CONSTRUCT WAREHOUSES, ANTICIPATING
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THAT IT CAN HOLD LARGE QUANTITIES OF SUGAR OFF THE

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MARKET UNTIL PRICES ARE HIGHER.

3. TOTAL BAN ON LOG EXPORTS IS SLATED TO GO INTO EFFECT ON JANUARY 1, 1976. SLUMP IN LOG AND TIMBER PRODUCTS MARKET HAS DEPRIVED INDUSTRY OF FUNDS WHICH MIGHT HAVE BEEN UTILIZED FOR EXPANSION OF PROCESSING CAPACITY, AND VIRTUALLY ALL OBSERVERS ARE AGREED THAT LOCAL PROCESSING CAPACITY IS INSUFFICIENT TO HANDLE AVAILABLE TIMBER OUTPUT. WHILE IT IS THUS QUITE LIKELY THAT BAN WILL NOT BE IMPLEME TED ON SCHEDULE, OBJECTIVE OF LOCAL PROCESSING OF PHILIPPINE LOGS REMAINS UNALTERED.

4. IN CONSIDERING PHILIPPINE RESTRICTIONS ON EXPORTS OF RAW MATERIALS WHICH GOP WISHES HAVE PROCESSED LOCALLY, DEPARTMENT MAY WISH TO DISTINGUISH TWO ELEMENTS IN PHILIPPINE THINKING. THERE ARE THOSE WHO ADVOCATE LOCAL PROCESSING OF PHILIPPINE RAW MATERIALS WITHOUT REGARD FOR ECONOMIC EFFICIENCIES. THERE ARE ALSO THOSE WHO CONTEND THAT LOCATION OF PROCESSING PLANTS OUGHT INDEED TO BE COMPATIBLE WITH FREE TRADE AND ECONOMIC EFFIEIENCY CONSIDERATIONS BUT THAT IT IS GRADUATED TARIFF STRUCTURE OF DEVELOPED COUNTRIES WHICH HAS DISTORTED THIS. CLEAREST ILLUSTRATION OF THIS IS COPRA COCONUT OIL, WHERE HISTORICAL RECORD KDURING COLONIAL PERIOD OF FREE TRADE AS WELL AS LAUREL-LANGLEY PERIOD) AND CURRENT PRICE/ COST CALCULATIONS SUGGEST THAT FREE TRADE LOCATION OF COCONUT OIL PLANTS WOULD BE PHILIPPINES. WITH SOME NUDGING FROM GOP, THIS HAS NOW OCCURRED WITH RESPECT TO U.S. MARKET, BUT BECAUSE OF GRADUATED EEC DUTIES, PHILIPPINES REMAINS SUPPLIER OF COPRA RATHER THAN OF OIL TO EEC.

5. BAN ON CEMENT EXPORTS LISTED IN PAR. 4, REFTEL B, WAS LIFTED IN JUNE 1974. OIL INDUSTRY COMMISSION CONTINUES TO HAVE AUTHORITY TO REVIEW PETROLEUM EXPORT REQUESTS ON A CASE-BY-CASE BASIS, BUT EXPORTS ARE BEING ALLOWED.

6. REFTEL C, PAR. 3 AND REFTEL B, PAR. 3, DESCRIVED CONSEQUENCES DURING PERIOD OF HIGH WORLD PRICES OF "SOCIALIZED
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PRICING" I.E. DOMESTIC PRICE CONTROLS, ON PRODUCTS WHICH WERE ALSO EXPORTED. GOVERNMENT ACTION WAS REQUIRED TO RETAIN A SUPPLY FOR DOMESTIC MARKET. DECLINE IN WORLD MARKET PRICES HAS ELIMINATED THIS PROBLEM, AND EXCEPT FOR SUGAR, ALLOCATION OF SUPPLIES BETWEEN EXPORT AND DOMESTIC MARKET IS AGAIN ESSENTIALLY A MARKET DECISION.

7. PHILIPPINE EXPORT TAXES, INCLUDING SO-CALLED PREMIUM TAX, HAVE BEEN AMENDED IN PIECEMEAL FASHION AS WORLD

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MARKET CONDITIONS HAVE CHANGED. CUSTOMS IS COMPILING
AMENDED LISTING WHICH WILL BE AVAILABLE NEXT WEEK.
WILL TRANSMIT WHEN READY.
SULLIVAN

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